

Michael P. Morris, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: MAY 15, 2008

PLACE: ST. GEORGE, UTAH

ATTENDING: BOARD

Michael P. Morris
John Ferry
James Lee
John Scales
Michael Brown
Gayle McKeachnie

STAFF

Kevin S. Carter
Kim Christy
Doug Buchi
Rodger Mitchell
Ron Carlson
Bryan Torgerson
LaVonne Garrison
Lisa Schneider
John Andrews
Ron Torgerson
Tom Mitchell
Kyle Pasley
Aaron Langston
Brent Bluth
Lynda Belnap

OTHERS IN ATTENDANCE

Margaret Bird, State Office of Education
Karen Rupp, State Office of Education
Commission Lynn Steven, San Juan County Commission
Ivan Djambov, Legislative Fiscal Analyst's Office
Dixie Andrus, Utah State Office of Education
Chris Jones, Holland & Hart
Drew Sitterud, Emery County
Allan Carter, Southern Utah Title Company
Andy Bryner, Southern Utah Title Company
Tyler Meyers, Ivory Homes
David Wolfgram, Ivory Homes

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Chairman Morris welcomed Board members, Staff, and guests to the meeting and thanked Staff for the tour the previous day, which was very informative.

1. Approval of Minutes

The Board approved the Board minutes of April 11, 2008.

Lee / Brown. Unanimously approved.

“I move we approve the Board minutes of April 11, 2008.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

2. Confirmation of Upcoming Meeting Dates

The Board confirmed the following upcoming meeting dates:

June 12 - - Salt Lake City
July - - No Meeting
August 19 - - Salt Lake City
September 11 - - Salt Lake City
October 23-24 (change from 9, 10) - - Kanab/Big Water

3. Chairman's Report

a. Beneficiary Report

Ms. Margaret Bird informed the Board that their office is going through an audit by the Legislative Auditor General's Office. The audit report is due out in October or November.

She stated that, during the legislative session, there was an issue brought up to the State Finance Committee of the Board of Education regarding renewable resource revenue. If the distribution of the revenue is changed, it would necessitate an Enabling Act and other changes. The Finance Committee agreed with the way the Board is distributing this. The committee passed a resolution commending the Board of Trustees and the agency on the good work they are doing.

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3. Chairman's Report (cont'd)

a. Beneficiary Report (cont'd)

The full State Board of Education also passed on this resolution. She gave the Board a copy of the resolution.

Chairman Morris expressed the Board's appreciation to the beneficiaries and told them to let the Board know if it can help in any way in the audit.

b. Appointment of FY 2009 Incentive Objective Committee

Chairman Morris appointed John Ferry, John Scales, and Michael Brown to be on the FY 2009 Incentive Committee, with John Ferry as chairman of this committee. He also asked that Ms. Bird serve on this committee. This committee will work with Director Carter in developing the incentive objectives for the next fiscal year for the Board's review. Director Carter stated he would like to have a product the Board can adopt at its August meeting. He will contact the committee to set up the first meeting.

4. Director's Report

a. Director's Update on Issues

I. Discussion of FY 2009 Working Budget

Director Carter reviewed the budget process with the Board. He then reviewed the appropriated budget and the proposed working budget as follows:

<u>Category</u>	<u>Appropriation</u>	<u>Working Budget</u>
Revenue	\$109,050,000	\$123,275,000
Direct Expenses	\$ 5,357,000	\$ 4,957,000
Allocated Expenses	\$ 4,614,900	\$ 4,594,900

4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

I. Discussion of FY 2009 Working Budget (cont'd)

Our major budget increases are in the following categories:

- * IT increases
- * Personnel increases
 - * COLA, etc.
 - * Surface FTE (Ongoing and one-time)
 - * Development FTE (ongoing)
- * Auditing
- * Capital Development - - a total of \$16 million

The Board had backup material that gave them detail on all of these items. Director Carter noted we are getting closer each year to what is appropriated and what we spend. The Board asked some questions of the Director for clarification purposes.

Ferry / Lee. Unanimously approved.

“I move we approve the FY 09 working budget as presented.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

II. Update on Incentive Objective "C"

Mr. Ron Carlson reviewed this item with the Board. Basically, this objective is how we can better interact with our clients. He reviewed the proposed options with the Board as follows:

- * Option 1 - - Adobe Fillable Forms - - this option is cheap, easy, can be hosted by the agency, and can be implemented almost immediately.
- * Option 2 - - Adobe Fillable Forms with Internet Return - - This option is much like Option 1 except that the customer can submit the completed form directly on the internet with the information being posted to a data base.
- * Option 3 - - Adobe Forms with Electronic Payments - - This option is an extension of the first two options allowing for submitting payments over the internet. It requires a custom application to be created for each form that offers electronic payments. It also requires an outside hosting of the form. This option is more expensive.
- * Option 4 - - Total Re-engineering of the Agency Forms and Payments Systems - - This would put all agency forms, applications, and payments into a totally interactive state-of-the-art system. This type of system is very expensive - - requiring tens of thousands of transactions at a minimum to justify the costs. Additionally, Trust Lands has several forms that currently require wet signatures and notarization. These would require adaptation to operate with such a system.

He noted that, at this point, the working group is testing the viability of Option 1. It seems to be very effective within its paradigm. Option 1 is a significant improvement for completing forms for those customers who wish to use it.

The Board asked about how people who are not computer literate would do this. Mr. Lee stated that the court system has people who can assist those who do not know how to work their system. Couldn't we have Staff members who could assist the public?

4. Director's Report (cont'd)

a. Director's Update on Issues (cont'd)

II. Update on Incentive Objective "C"

Mr. McKeachnie noted that we may be using some forms that we don't really need. The Board asked Staff if they had interfaced with any other agencies who had worked through their "form" process? They suggested some to contact.

The Board noted that possibly the implementation of this process would be an objective for next year.

Some Board members thought that we should look at doing the best we can with the least amount of cost. Mr. Scales thought that we should spend the money to do it right and go forward with the right process. It was noted the goal in this objective is for the staff to come forward with a recommendation. This was for discussion purposes at this meeting. The Board encouraged Staff to simplify as much as possible for both sides.

b. Associate Director's Report

I. Political Subdivision Interim Committee Update

Mr. Andrews briefed the Board on the last meeting of the Political Subdivision Interim Committee where they discussed planning and zoning requirements in municipalities. This is an item on the Interim Study list. The chairman of this committee is Senator Stowell.

II. Exchange Update

Mr. Andrews noted that we continue to have significant problems with the Democratic Congressional staff on this exchange. We are seeing issues both substantive and procedural on how the exchange would work. Issues we thought we had handled months ago are now issues for the Democratic staff. We will continue negotiating on the exchange. If these issues cannot be resolved in ways we thought we had already resolved them, it may indicate this is not the time to do the exchange.

Land exchanges continue to be hugely controversial on a national basis. The model that seems to be being used doesn't really fit our situation. There may be other strategies we can pursue with some of the properties. He noted the next month or two will determine whether we should continue with the exchange.

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4. Director's Report (cont'd)

b. Associate Director's Report (cont'd)

III. Litigation Update

Mr. Andrews updated the Board on current litigation issues:

- * We have been briefing the NPCA case and the Mathis case.
- * We have had a victory in the Provo City Landfill case regarding increasing rental rates. We are still working on the terms of settlement on this case.
- * There are pending cross-motions in the Cook case. It will be sent for argument within a month or so.

c. Surface Group

I. Proposed Development Lease With Emery County For Green River Industrial Park - - Emery County, Utah

Mr. Kim Christy noted to the Board that this issue had been discussed last month. He discussed with the Board some of the options that the Board had asked about during last month's discussion. The county is not in a financial position to acquire all the property now. It is the recommendation of the Staff to deal with the proposal as drafted.

The lands involved in this transaction are:

Township 21 South, Range 15 East, SLM

Section 2: All (1027.28 acres)
Section 9: NW4NE4, SE4NE4, N2NW4, SW4NW4 (200 acres)
Section 10: SE4NW4, SE4NE4 (80 acres)
Section 11: S2NE4, SE4 (240 acres)
Section 12: S2NW4, SW4, SW4SE4 (280 acres)
Section 13: NE4NW4, NW44NE4 (80 acres)

Township 20 South, Range 14 East, SLM

Section 36: All (640 acres)

Containing 2547.28 acres - - Beneficiary: School

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4. Director's Report (cont'd)

c. Surface Group (cont'd)

I. Proposed Development Lease With Emery County For Green River Industrial Park - - Emery County, Utah (cont'd)

Mr. Lee stated that, at the last meeting, Mr. Lofgren expressed a concern that the first occupant of the industrial site will set the tone for the development. He had heard that the first occupant would be nuclear related. He asked if that is true? Commissioner Sitterud stated they have not signed anything regarding nuclear facilities. The first lot to be sold will be for a uranium mill. There was some discussion regarding what this would entail. This will essentially be a uranium-reduction operation. The mill certified for uranium reduction is in Blanding.

The Board discussed the issues of this site as to what will be put on the site, etc. Mr. Lee expressed a concern of how it will start and the tone that will be set for the park. Mr. Morris inquired about the financial issues of the project. Mr. Christy noted this was covered last month in closed session, and we would be happy to discuss it further in closed session again this month, as Mr. Morris was not in attendance then. Mr. Buchi stated that we can control what goes in there by creating appropriate CC&R's.

Lee / Ferry. Motion approved.

"I move we approve the development lease with Emery County."

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. McKeachnie - - yes	Mr. Morris - - no

It was noted that the Board wants to see the development lease before it is signed.

4. Director's Report (cont'd)

c. Surface Group (cont'd)

II. Status Report on SULA Term Lengths

Mr. Christy noted this discussion is a follow-up from last month's request of the Board to discuss the lease terms, as brought up in Ms. Bird's report last month. Mr. Christy discussed the SULA lease terms with the Board through a power-point, showing types of leases and lease terms. About two-thirds of the port folio fall within the 30-year period. Mr. Christy reviewed with the Board some of the reasons why the leases that are over 30 years are so long. He also discussed some policy and procedural aspects.

Chairman Morris noted it possibly could be an objective for next year to look at lease terms, review compliance with terms, etc. Some of the policy considerations to look at could be whether we should allow leases for up to 51 years, assignability, etc.

III. Milford Flat Fire Report

Mr. Christy noted last year was a catastrophic year for fires. Many of them had a nexus on trust lands. Mr. Christy, Ron Torgerson, and Bryan Torgerson discussed the Milford Flat Fire and other fires that were on trust lands. The Milford Flat fire was the largest fire ever in Utah. They also discussed with the Board the rehabilitation efforts that Trust Lands has been involved in with other agencies.

The Board commended Staff for the great job they did on these fires.

d. Development Group

I. St. George Airport Transaction

Mr. Buchi had previously provided the Board with a letter from St. George on the airport transaction. It is proposed to go with the original appraisal using a different discount rate over time. St. George City will pay out the entire amount over time in cash.

Mr. Ferry reviewed what has happened on the transaction in the last few months. The total trust land purchase is appraised at \$16,328,950, and we will get a total payout over time of \$23,347,453 by 2016. The appraised price is lower than the others, and there is also a three

4. Director's Report (cont'd)

d. Development Group (cont'd)

I. St. George Airport Transaction (cont'd)

percent carrying cost if they finance it. Based on the appraised value of \$60,702 and a six percent rate, which is the Board's counter proposal, and the appraisal on the other lands, there is a difference of about \$2.5 million. The Board needs to decide whether to take the offer as proposed and recoup it over time in other amenities. St. George City is the one who will make the credit good over the years.

Mr. Andrews stated we can't convey title until the land is entirely paid for, so we will convey the land by certificate of sale. We will hold legal title until we are paid in full. Mr. McKeachnie also noted that a city can't pledge its revenues beyond its current budget without a bond election. Mr. Buchi noted that, with the total payments that will be made through the years, it takes the price per acre from \$60,680 to \$86,761. Mr. Lee indicated he still doesn't like the time payments because others are getting their money up front, and he is still questioning the appraised price. Director Carter stated he feels comfortable in making this sale, as we are getting a fair value over time.

Ms. Bird stated that, if we make this deal, she thinks St. George City needs to treat us as an equal partner and deal with us on other parcels also. She stated that, overall, she would agree to the transaction, but wants St. George to treat us as an equal partner. Mr. McKeachnie stated he will agree to it as long as we hold title to the land until it is paid for. He thinks it will be paid long before it is scheduled to be. Mr. Andrews stated he will look into these issues very closely.

Ferry / Scales. Motion approved.

"I move we approve the transaction as presented by Staff."

Roll Call:

Mr. Ferry - - yes

Mr. Lee - - no

Mr. Scales - - yes

Mr. Brown - - yes

Mr. McKeachnie - - yes

Mr. Morris - - yes

Chairman Morris asked that Mr. Lee review the contract before it is signed.

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4. Director's Report (cont'd)

d. Development Group (cont'd)

II. Overview of Washington County Real Estate Market

Mr. Buchi introduced Allan Carter, of Southern Utah Title Company, who was in attendance to give the Board a presentation on the current market conditions in Washington County.

Mr. Carter noted that all real estate will continue to fall for the next year or so. Lot prices will go down another 10 percent. Falling prices will be a catalyst for sales. Sales can push prices upwards again. Mr. Carter advised that, if you have something you want to buy, make an offer on it now. Anything in Washington County you should wait on for six to 12 months. In about two and a half years, he thinks we will be back up to normal.

The Board thanked Mr. Carter for his presentation.

III. Ivory Homes Request For Extension of Financial Terms Modification
On Casitas Component and Preliminary Discussion of One-Year
Percentage Participation Reduction on Completed Speculative Estate
Homes

Mr. Buchi noted that the Board had information requesting that the pricing on the Ivory Homes casitas be reduced for 12 months. The methodology of doing the four percent was also set forth in the information sent to the Board. Staff feels comfortable in recommending the 12-month extension, and it is based on the actual selling price of the casitas.

Mr. Buchi discussed this further with the Board and what we would like to see happen in the June meeting in recasting the development lease to what is really happening in the market at this time. Members of Ivory Homes were in attendance to answer any questions for the Board.

Mr. Lee asked if there is any reason to act on this today or could it wait until next month when we rework the lease. Mr. Buchi noted Staff is recommending the 12-month extension from May 31, and we will revisit the lease next month. The Board felt like maybe a three or four-month extension could dovetail with the amendment of the lease.

4. Director's Report (cont'd)

d. Development Group (cont'd)

III. Ivory Homes Request For Extension of Financial Terms Modification
On Casitas Component and Preliminary Discussion of One-Year
Percentage Participation Reduction on Completed Speculative Estate
Homes (cont'd)

Mr. David Wolfgram, of Ivory Homes, gave the Board some information on the Hidden Valley project. He stated the reduction to 11 percent on the casitas has stimulated the overall sales. They need help to make it through this lower market.

Lee / Scales. Unanimously approved.

"I move we extend the prior modification of the lease until the end of September."

Roll Call:

Mr. Ferry - - yes

Mr. Lee - - yes

Mr. Scales - - yes

Mr. Brown - - yes

Mr. McKeachnie - - yes

Mr. Morris - - yes

5. Initial Consideration of Petition for Relief From Final Agency Action Terminating Oil and Gas Lease ML 47799

Mr. Tom Mitchell appeared on behalf of the Administration. Mr. Chris Jones, of Holland and Hart, appeared on behalf of the petitioner. Mr. Mitchell reviewed the matter with the Board. This is a lease that has expired by its own terms. The Board needs to determine whether they want to take jurisdiction of the matter and, if so, whether it will be a formal or informal hearing.

Mr. Mitchell noted that he and Ms. Garrison met with counsel for the petitioners and negotiated a proposed settlement. It was handed out to the Board. Ms. Garrison reviewed the terms of the settlement with the Board. She feels this is a good way to settle this issue. This will be an Other Business Arrangement.

Lee / Brown. Unanimously approved.

“I move we approve the request to amend the lease.”

Roll Call:

Mr. Ferry - - yes	Mr. Lee - - yes
Mr. Scales - - yes	Mr. Brown - - yes
Mr. McKeachnie - - yes	Mr. Morris - - yes

Meeting adjourned at 1:38 p.m.